Steel Hawk Berhad
(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)
and its subsidiary

Financial statements for the year ended 31 December 2021

Steel Hawk Berhad
(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)
and its subsidiary

Directors' report for the year ended 31 December 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiary is as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
Owners of the Company	2,080	745

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

The Directors proposed a first and final single tier dividend of 0.39 sen per ordinary share amounting to approximately RM0.624 million in respect of the financial year ended 31 December 2021 subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

Directors

Directors of the Company who served during the financial year until the date of this report are:

Dato' Sharman Kristy A/L Michael
Salimi Bin Khairuddin
Datin Annie A/P V Sinniah
Khairul Nazri Bin Kamarudin
Haslinda Binti Hussein (appointed on 1 May 2021)
Bibi Rafidah Binti Mohd Amin (appointed on 19 November 2021)

Directors (continued)

Directors of Steel Hawk Engineering Sdn. Bhd. (“SHESB”) who served during the financial year until the date of this report are:

Dato' Sharman Kristy A/L Michael
Salimi bin Khairuddin
Khairul Nazri bin Kamarudin

Directors’ interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors’ Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2021	**Bought**	**Sold**	**At 31.12.2021**
Salimi Bin Khairuddin	20	44,639,988[1]	-	44,640,998
Khairul Nazri Bin Kamarudin	20	28,799,992[1]	-	28,800,992
Dato’ Sharman Kristy A/L Michael	-	70,559,980[2]	-	70,559,980
Bibi Rafidah Binti Mohd Amin	-	7,840,000	-	7,840,000

(1) Deemed interests by virtue of his interests in Radiant Capital Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016. Includes 44,639,988 and 28,799,992 shares respectively resulting from restructuring exercise as disclosed in Note 25 to the financial statements.

(2) Includes 70,559,980 shares resulting from restructuring exercise as disclosed in Note 25 to the financial statements.

The other Directors holding office at 31 December 2021 did not have any interest in the shares of the Company and of its related corporations during the financial year.

Directors’ benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

During the financial year, the Company issued the following shares:

a) 143,999,960 new ordinary shares for a total consideration of RM4,607,999 for the restructuring exercise as disclosed in Note 25 to the financial statements; and

b) 16,000,000 new ordinary shares at the issue price of RM0.20 per share, amounting to RM3,200,000 by way of private placement to selected Sophisticated Investors.

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, the total amount of insurance premium effected for Directors and officers of Steel Hawk Berhad and its subsidiary is RM16,500 limited to a coverage of RM12,000,000.

Qualification of subsidiary's financial statements

The auditors' report on the audit of the financial statements of the Company's subsidiary did not contain any qualification.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there are no bad debts to be written off and no provision needs to be made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

Significant events are disclosed in Note 26 to the financial statements.

Subsequent event

Subsequent event is disclosed in Note 27 to the financial statements.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 16 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Dato' Sharman Kristy A/L Michael
Director

....

Salimi Bin Khairuddin
Director

Kuala Lumpur

Date: 26 APR 2022

Steel Hawk Berhad
(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)
and its subsidiary

Statements of financial position as at 31 December 2021

		Group		Company	
	Note	2021 RM'000	2020[1] RM'000	2021 RM'000	2020 RM'000
Assets					
Property, plant and equipment	3	3,082	1,818	7	-
Right-of-use assets	4	220	197	-	-
Investment in a subsidiary	5	-	-	4,608	-
Total non-current assets		3,302	2,015	4,615	-
Inventories	6	369	338	-	-
Contract assets	7	5,689	1,186	-	-
Trade and other receivables	8	767	1,581	1,935	-
Cash and cash equivalents	9	6,039	5,013	2,039	-
Total current assets		12,864	8,118	3,974	-
Total assets		16,166	10,133	8,589	-
Equity					
Share capital	10	7,808	*	7,808	*
Invested equity	10	-	1,500	-	-
Restructuring reserve	10	(3,108)	-	-	-
Retained earnings		5,056	2,976	743	(2)
Total equity attributable to owners of the Company		9,756	4,476	8,551	(2)
Liabilities					
Loans and borrowings	11	1,164	1,604	-	-
Lease liabilities		46	60	-	-
Deferred tax liabilities	12	132	205	-	-
Total non-current liabilities		1,342	1,869	-	-
Loans and borrowings	11	719	1,485	-	-
Lease liabilities		183	148	-	-
Trade and other payables	13	3,248	1,325	38	2
Current tax liabilities		918	830	-	-
Total current liabilities		5,068	3,788	38	2
Total liabilities		6,410	5,657	38	2
Total equity and liabilities		16,166	10,133	8,589	-

* *Denotes RM2*

(1) *As explained in Note 25 Restructuring exercise, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.*

The notes on pages 14 to 63 are an integral part of these financial statements.

Steel Hawk Berhad
(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)
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Statements of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020[1] RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	14	24,845	19,865	2,025	-
Cost of sales		(14,029)	(9,793)	-	-
Gross profit		10,816	10,072	2,022	-
Other income		172	280	-	-
Administrative expenses		(7,586)	(6,075)	(1,281)	(2)
Results from operating activities		3,402	4,277	744	(2)
Finance income		12	93	1	-
Finance costs	15	(270)	(354)	-	-
Profit/(Loss) before tax	16	3,144	4,016	745	(2)
Tax expense	17	(1,064)	(1,067)	-	-
Net profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company		2,080	2,949	745	(2)
Basic earnings per ordinary share (sen) [2]	18	1.30	1.84		

[1] *As explained in Note 25 Restructuring exercise, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.*
[2] *Based on the enlarged ordinary shares in issue after the restructuring exercise and private placement.*

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

and its subsidiary

Consolidated statement of changes in equity for the year ended 31 December 2021

		← *Attributable to owners of the Company* →				
		← *Non-distributable* →			*Distributable*	
	Note	Share capital RM'000	Invested equity[1] RM'000	Restructuring reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2020[2]		-	1,500	-	1,885	3,385
At 29 December 2020 (date of incorporation)		*	-	-	-	*
Net profit and total comprehensive income for the financial year		-	-	-	2,949	2,949
Distribution to owners of the Company						
Dividends to owners of the Company	19	-	-	-	(1,858)	(1,858)
At 31 December 2020/ 1 January 2021[2]		*	1,500	-	2,976	4,476
Effect of restructuring[3]		4,608	(1,500)	(3,108)	-	-
Issuance of new shares		3,200	-	-	-	3,200
Net profit and total comprehensive income for the financial year		-	-	-	2,080	2,080
At 31 December 2021		7,808	-	(3,108)	5,056	9,756
		← Note 10 →				

* *Denotes RM2*

(2) *This invested equity represents the Company's investment in SHESB.*

(3) *As explained in Note 25 Restructuring exercise, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.*

(4) *The effect of restructuring arose from the restructuring exercises as explained in Note 25 Restructuring exercise.*

Registration No. 202001043293 (1399614-A)

Statement of changes in equity for the year ended 31 December 2021

	Attributable to owners of the Company		
	Non-distributable	*Distributable*	
Company	**Share capital RM'000**	**(Accumulated losses)/ Retained earnings RM'000**	**Total RM'000**
At 29 December 2020 (date of incorporation)	*	-	*
Loss and total comprehensive expense for the period	-	(2)	(2)
At 31 December 2020/1 January 2021	*	(2)	(2)
Effect of restructuring [(1)]	4,608	-	4,608
Issuance of new shares	3,200	-	3,200
Net profit and total comprehensive income for the year	-	745	745
At 31 December 2021	7,808	743	8,551
	Note 10		

* *Denotes RM2*

(1) *The effect of restructuring arose from the restructuring exercises as explained in Note 25 Restructuring exercise.*

Steel Hawk Berhad
(Registration No. 202001043293 (1399614-A))
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Statements of cash flows for the year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		3,144	4,016	745	(2)
Adjustments for:					
Depreciation of property, plant and equipment		541	518	1	-
Depreciation of right-of-use assets		187	201	-	-
Gain on disposal of property, plant and equipment		(9)	(4)	-	-
Gain on derecognition of right-of-use assets		(3)	(1)	-	-
Interest expenses		270	354	-	-
Interest income		(12)	(93)	(1)	-
Operating profit before changes in working capital		4,118	4,991	745	(2)
Changes in working capital:					
Inventories		(31)	831	-	-
Trade and other receivables		214	110	(1,935)	-
Trade and other payables		1,923	(797)	36	2
Contract assets		(4,503)	(242)	-	-
Cash generated from/(used in) operations		1,721	4,893	(1,154)	-
Tax paid		(1,049)	(302)	-	-
Net cash from operating activities		672	4,591	(1,154)	-
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	(950)	(346)	(8)	-
Proceeds from disposal of property, plant and equipment		12	309	-	-
Interest income		12	93	1	-
Changes in pledged deposits		1,164	(217)	-	-
Net cash from/(used in) investing activities		238	(161)	(7)	-

Registration No. 202001043293 (1399614-A)

Statements of cash flows for the year ended 31 December 2021 (continued)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from financing activities					
Interest expense		(270)	(354)	-	-
Net (repayment)/drawdown of term loan		(330)	587	-	-
Net repayment of trade financings		(479)	(1,474)	-	-
Net repayment of hire purchase		(200)	(224)	-	-
Repayment of lease liabilities		(186)	(199)	-	-
Dividend paid		-	(1,858)	-	-
Proceeds from issuance of new shares		3,200	-	3,200	-
Net cash from/(used in) financing activities		1,735	(3,522)	3,200	-
Net increase in cash and cash equivalents		2,645	908	2,039	-
Cash and cash equivalents at beginning of the year		3,265	2,357	*	*
Cash and cash equivalents at end of the year		5,910	3,265	2,039	*

* *Denotes RM2*

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash and cash equivalents	9	6,039	5,013	2,039	*
Bank overdraft	11	-	(455)	-	-
		6,039	4,558	2,039	*
Pledged deposits	9	(129)	(1,293)	-	-
		5,910	3,265	2,039	*

* *Denotes RM2*

(ii) Acquisition of property, plant and equipment

The Group acquired property, plant and equipment with an aggregate cost of RM1,808,000 (2020:RM346,000) of which RM258,000 (2020:Nil) were acquired by means of hire purchase and RM600,000 (2020:Nil) deposit was placed in prior year with a Company in which a Director has financial interest for the purchase of an office premise.

Statements of cash flows for the year ended 31 December 2021 (continued)

(iii) Cash outflows for leases as a lessee

	Note	Group 2021 RM'000	Group 2020 RM'000
Included in net cash from operating activities			
Payment relating to short-term leases	16	2,107	400
Included in net cash from financing activities			
Payment of lease liabilities		186	199
Interest paid in relation to lease liabilities	15	20	24
Total cash outflows for leases		2,313	623

Statements of cash flows for the year ended 31 December 2021 (continued)

(iv) Reconciliation of movement of liabilities to cash flow arising from financing activities

Group	At 1.1.2020 RM'000	Acquisition of new lease RM'000	Net changes from financing cash flows RM'000	Derecog-nition RM'000	At 31.12.2020/ 1.1.2021 RM'000	Acquisition of new lease RM'000	Net changes from financing cash flows RM'000	Derecog-nition RM'000	At 31.12.2021 RM'000
Term loans	1,041	-	587	-	1,628	-	(330)	-	1,298
Trade financings	1,953	-	(1,474)	-	479	-	(479)	-	-
Hire purchase liabilities	751	-	(224)	-	527	258	(200)	-	585
Lease liabilities	413	57	(199)	(63)	208	268	(186)	(61)	229
Total liabilities from financing activities	4,158	57	(1,310)	(63)	2,842	526	(1,195)	(61)	2,112

Steel Hawk Berhad
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Notes to the financial statements

Steel Hawk Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed in the LEAP Market of Bursa Malaysia Securities Berhad. The Company was incorporated on 29 December 2020 as a private limited company under the name of Steel Hawk Sdn. Bhd.. On 8 July 2021, the Company were converted into a public limited company for the purposes of the Listing in LEAP Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
No. 23-2, Block H, Dataran Prima,
Jalan PJU 1/37,
47301 Petaling Jaya,
Selangor Darul Ehsan.

Registered office
Unit 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200,
Kuala Lumpur.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiary (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2021 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiary is as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 26 April 2022.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – extension options and incremental borrowing rate in relation to leases

  The Group assesses at the lease commencement whether it is reasonably certain to exercise the extension options. The Group also applies judgement and assumptions in determining the incremental borrowing rate of respective leases.

2. Significant accounting policies

The Group has early adopted *Covid-19-Related Rent Concessions – Amendments to MFRS 16* issued on 6 April 2021. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the Covid-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2021.

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in a subsidiary is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt and equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions from entities under common control

There is no business combination when a restructuring is facilitated through incorporation of a new Company ("Newco") (under common control of the shareholders that controls the Group) and when there is only a business placed under the Newco. Newco is not a business and therefore cannot be the acquiree. Entities under common control are entities which are ultimately controlled by the same parties ("Controlling Shareholders") and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from their activities, and that ultimate collective power is not transitory. Accordingly, book value accounting applies to the business transferred.

The acquisitions are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group's equity and any resulting gain or loss is recognised directly in equity.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

Financial assets are subject to impairment assessment (see Note 2(i)(i)).

Financial liabilities

Amortised cost

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use.

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows:

• Freehold buildings	2%
• Computer and software	20%
• Furniture and fitting	10%
• Motor vehicle	20%
• Office equipment	10%
• Plant and machinery	10%
• Renovation	10%
• Signboard	10%

Depreciation methods and useful lives are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a singles lease component.

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonable certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and lesser of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Rent Concession

The Group has applied the amendment to MFRS 16 Leases (COVID-19 Related Rent Concessions) whereby rent concessions received as a direct consequence of the COVID-19 pandemic are not assessed as a lease modification if all of the following conditions are met:

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(iii) there is no substantial change to other terms and conditions of the lease

If the above conditions are met, rent concessions are treated as variable lease payments and impact will be recognised in the profit or loss for the year.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Significant accounting policies (continued)

(g) Contract asset

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(i)(i)).

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

The Group assessed each customer individually based on their financial information and past trend of payments, where applicable. The Group also considered that the credit risk has increased significantly if it is past due.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories and contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(k) Employee benefits (continued)

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2. Significant accounting policies (continued)

(m) Revenue and other income (continued)

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies (continued)

(o) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

(r) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Property, plant and equipment

Group	Freehold buildings RM'000	Computer and software RM'000	Furniture and fitting RM'000	Motor vehicle RM'000	Office equipment RM'000	Plant and machinery RM'000	Renova tion RM'000	Sign board RM'000	Total RM'000
Cost									
At 1 January 2020	-	141	79	1,742	59	969	497	2	3,489
Additions	-	55	2	168	13	27	80	1	346
Disposals	-	-	-	(202)	-	(300)	-	-	(502)
At 31 December 2020/ 1 January 2021	-	196	81	1,708	72	696	577	3	3,333
Additions	1,300	86	3	340	18	32	17	12	1,808
Disposals	-	-	(2)	(34)	-	(1)	-	-	(37)
At 31 December 2021	1,300	282	82	2,014	90	727	594	15	5,104
Accumulated depreciation									
At 1 January 2020	-	59	26	612	15	287	194	1	1,194
Depreciation for the year	-	33	8	342	7	70	57	1	518
Disposals	-	-	-	(77)	-	(120)	-	-	(197)
At 31 December 2020/ 1 January 2021	-	92	34	877	22	237	251	2	1,515
Depreciation for the year	9	47	8	338	8	70	59	2	541
Disposals	-	-	(2)	(32)	-	-	-	-	(34)
At 31 December 2021	9	139	40	1,183	30	307	310	4	2,022
Carrying amounts									
At 1 January 2020	-	82	53	1,130	44	682	303	1	2,295
At 31 December 2020/ 1 January 2021	-	104	47	831	50	459	326	1	1,818
At 31 December 2021	1,291	143	42	831	60	420	284	11	3,082

3. Property, plant and equipment (continued)

Company	**Signboard**
Cost	**RM'000**
At 29 December 2020/1 January 2021	-
Addition	8
At 31 December 2021	8
Accumulated depreciation	
At 29 December 2020/1 January 2021	-
Addition	1
At 31 December 2021	1
Carrying amount	
At 29 December 2020/31 December 2020	-
At 31 December 2021	7

3.1 Assets under hire purchase

Carrying amount of property, plant and equipment held under hire purchase arrangement are as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Motor vehicle	631	538

4. Right-of-use assets

	Buildings
Group	**RM'000**
At 1 January 2020	403
Addition	57
Depreciation	(201)
Derecognition*	(62)
At 31 December 2020/1 January 2021	197
Addition	268
Depreciation	(187)
Derecognition*	(58)
At 31 December 2021	220

** Derecognition of the right-of-use assets is as a result of early termination of lease contract.*

The Group leases a number of buildings for its office and business operations that typically run between 2 to 4 years. The Group have an option to renew the lease for buildings after that date.

4. Right-of-use assets (continued)

4.1 Extension options

Some leases of buildings contain extension options exercisable by the Group up to 2 years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000	Historical rate of exercise of extension options %
Buildings	229	154	14

4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. Investment in a subsidiary

	Company 2021 RM'000	Company 2020 RM'000
Cost of investment	4,608	-

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest and voting interest 2021 %	2020 %
Steel Hawk Engineering Sdn. Bhd. ("SHESB")	Malaysia	Provision of onshore and offshore support services for the oil and gas industry	100	100

On 12 April 2021, the Company entered into a conditional share sale agreement ("SSA") to acquire issued share capital of SHESB of RM1,500,000 comprising 1,500,000 ordinary shares from the shareholders of SHESB for the purchase consideration of RM4,607,999. The said purchase consideration was fully satisfied by the issuance of 143,999,960 new ordinary shares at an issue price of RM0.032 per share to the shareholders of SHESB, namely Dato' Sharman Kristy A/L Michael, Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin.

The SSA was completed on 9 June 2021.

6. Inventories

	Group 2021 RM'000	Group 2020 RM'000
At cost:		
Oilfield and petrochemical equipment, engineering equipment and spare parts	369	338
Recognised in profit or loss:		
Inventories recognised as cost of sales	7,330	5,844

7. Contract assets

	Group 2021 RM'000	Group 2020 RM'000
Contract assets	5,689	1,186

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. Typically, the amount will be billed within 14 days and payment is expected within 30 days.

All contract assets at the beginning of the period has been transferred to trade receivables in the subsequent year.

8. Trade and other receivables

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade					
Trade receivables from contracts with customers		283	524	-	-
Amount due from a subsidiary	8.1	-	-	1,929	-
		283	524	1,929	-
Non-trade					
Other receivables		77	311	-	-
Deposits	8.2	114	744	6	-
Prepayments		293	2	-	-
		767	1,581	1,935	-

8.1 Amount due from a subsidiary

The amount due from a subsidiary is unsecured, interest free and repayable on demand.

8.2 Deposits

In the previous financial year, included in deposits is an amount of RM600,000 placed with a Company in which a Director has financial interest for the purchase of an office premise. The deposit was reclassified as property, plant and equipment inline with the completion of the land title transfer to the Group.

9. Cash and bank equivalents

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash and bank balances	5,910	3,720	2,039	-
Deposits placed with licensed banks	129	1,293	-	-
	6,039	5,013	2,039	-

Included in the deposits placed with licensed banks of the Group is RM Nil (2020: RM319,000) pledged for a bank overdraft and RM129,000 (2020: RM974,000) pledged for a trade financing facility granted to the Group as disclosed in Note 11. The reduction in pledged deposits is due to the settlement of the outstanding bank overdraft balances and outstanding trade financing facilities.

10. Share capital, invested equity and restructuring reserves

(a) Share capital

	<----------------Group and Company-------------->			
	Amount 2021 RM'000	Number of shares 2021 '000	Amount 2020 RM'000	Number of shares 2020 '000
Issued and fully paid shares with no par value of the Company classified as equity instruments:				
At 29 December 2020 (date of incorporation)/31 December 1 January	*	*	*	*
Effect of restructuring (Note 25)	4,608	144,000	-	-
New share issued for private placement (Note 26.2)	3,200	16,000	-	-
At 31 December	7,808	160,000	*	*

** Denotes RM2, consisting of 40 ordinary shares.*

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

10. Share capital, invested equity and restructuring reserves

(b) Invested equity

	Group	
	Amount 2021 RM'000	Amount 2021 RM'000
Invested equity	-	1,500

Invested equity

Invested equity comprised the share capital of SHESB. The amount has been reversed against the restructuring reserve as disclosed in Note 25.

(c) Restructuring reserve

In the event where a new company is formed to facilitate a restructuring exercise, in which the new company itself is not a business, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financial statements at their carrying amounts as if the restructuring had occurred before the start of the earliest period presented. The other components of equity of the acquired entity is added to the same component within Group entity.

The restructuring reserve comprises the difference between cost of investment recorded by the Company and the share capital of SHESB arising from the restructuring exercise as disclosed in Note 25.

11. Loans and borrowings

		Group	
	Note	2021 RM'000	2020 RM'000
Non-current			
Secured:			
Term loans	11.1	935	1,265
Hire purchase liabilities	11.2	229	339
		1,164	1,604
Current			
Secured:			
Term loans	11.1	363	363
Trade financing	11.3	-	479
Hire purchase liabilities	11.3	356	188
Bank overdrafts	11.4	-	455
		719	1,485
		1,883	3,089

11. Loans and borrowings (continued)

11.1 Term loans

The term loans consisting of:

(a) The Term Loan I bears interest at rate of 10.45% (2020: 10.95%) per annum with 84 monthly repayment instalments. The term loan is secured and supported by:

- Credit Guarantee Corporation (M) Bhd (CGC) under the SMEBiz Solutions Portfolio Guarantee Scheme (PGS) of 70% of the facility limit.
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan I as at the financial year end is RM 453,000 (2020: RM576,000).

(b) The Term Loan II bears interest at rate of 4.50% (2020: 4.50%) per annum with 48 monthly repayment instalments. The term loan is secured and supported by:

- Guarantee by the government through Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will cover 70% of the total facility amount;
- Joint and several guarantees by all directors of SHESB.

The Term Loan II was fully repaid during the financial year. The outstanding balance of Term Loan II as at the previous financial year end was RM52,000.

(c) The Term Loan III bears interest at rate of 3.50% (2020: 3.50%) per annum with 66 monthly repayment instalments. The term loan is secured and supported by:

- Guarantee by the government through Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will cover 80% of the total facility limit;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan III as at the financial year end is RM845,000 (2020: RM1,000,000).

11. Loans and borrowings (continued)

11.2 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Future minimum lease payments 2021 RM'000	Interest 2021 RM'000	Present value of minimum lease payments 2021 RM'000	Future minimum lease payments 2020 RM'000	Interest 2020 RM'000	Present value of minimum lease payments 2020 RM'000
Less than one year	377	21	356	208	20	188
Between one to five years	252	23	229	348	9	339
	629	44	585	556	29	527

The hire purchase liabilities bears interest rate at the range of 2.57% to 5.70% (2021: 2.70% to 5.70%) per annum.

11.3 Trade financing

(a) The Trade Financing I bears interest at rate of 5.47% (2020: 7.70%) per annum. The trade financing is secured and supported by:

- Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under the Working Capital Guarantee Scheme (WCGS) of 70% from the approved amount;
- Guarantee by general deed of Assignment of Contract Proceeds and Charge Over Project Account to be executed between the Customer and the Bank for all contract financed by the Bank;
- Pledged deposits of RM Nil (2020: RM974,000) as disclosed in Note 8;
- Joint and several guarantees by all directors of SHESB.

The Trade Financing I has been repaid during the financial year. The outstanding balance of Trade Financing I as at the previous financial year end was RM340,000.

(b) The Trade Financing II bears interest at rate of 5.47% (2020: 7.10%) per annum. The trade financing is secured and supported by:

- Guarantee by notice of Instruction to Pay (ITP) duly acknowledged by the Principal to remit the contract proceeds directly into the Customer's Non Checking Current Account (NCCA) with the bank;
- Guarantee by the government through Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will cover 70% of the total facility limit; Joint and several guarantees by all directors of SHESB.

The Trade Financing II has been repaid during the financial year. The outstanding balance of Trade Financing II as at the previous financial year end was RM139,000.

11. Loans and borrowings (continued)

11.4 Bank overdraft

(a) The bank overdraft bears interest rate of 7.65% (2020: 8.83%) per annum on daily rest. The overdraft is secured and supported by:

- Pledged deposits of RM Nil (2020: RM319,000) as disclosed in Note 8;
- Guarantee by joint and several guarantees by all directors of SHESB.

The bank overdraft has been repaid and the facility has been cancelled during the financial year. The outstanding balance of bank overdraft as at the previous financial year end was RM455,000.

12. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Property, plant and equipment	-	-	(134)	(141)	(134)	(141)
Right-of-use assets	-	-	(53)	(47)	(53)	(47)
Lease liabilities	55	50	-	-	55	50
Others	-	-	-	(67)	-	(67)
Tax assets/ (liabilities)	55	50	(187)	(255)	(132)	(205)
Set-off	(55)	(50)	55	50	-	-
Net tax assets/ (liabilities)	-	-	(132)	(205)	(132)	(205)

Movement in temporary differences during the financial year

	At 1.1.2020 RM'000	Recognised in profit or loss (Note 17) RM'000	At 31.12.2020/ 1.1.2021 RM'000	Recognised in profit or loss (Note 17) RM'000	31.12.2021 RM'000
Property, plant and equipment	(100)	(41)	(141)	7	(134)
Right-of-use assets	(97)	50	(47)	(6)	(53)
Lease liabilities	99	(49)	50	5	55
Others	(67)	-	(67)	67	-
Net tax liabilities	(165)	(40)	(205)	73	(132)

13. Trade and other payables

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade					
Trade payables		2,753	969	-	-
Non-trade					
Other payable		28	-	-	-
Accruals		467	356	38	2
		3,248	1,325	38	2

14. Revenue

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers	24,845	19,865	-	-
Other revenue				
Dividend income	-	-	2,025	-
	24,845	19,865	2,025	-

14.1 Disaggregation of revenue from contracts with customers

	Group	
	2021 RM'000	2020 RM'000
Engineering, procurement, construction and commissioning ("EPCC") services and facilities improvement/maintenance	18,240	11,947
Installation and maintenance ("I&M") of oilfield equipment	5,235	5,638
Supply of oilfield equipment	1,370	2,280
Total revenue from contracts with customers	24,845	19,865
Timing and recognition		
Overtime	23,475	17,585
Point in time	1,370	2,280
Total revenue from contracts with customers	24,845	19,865

14. Revenue (continued)

14.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of services	Timing of recognition or method used to recognised revenue	Significant payment terms	Warranty
EPCC services and facilities improvement/ maintenance	Revenue is recognised over the period in which the services are rendered.	Credit period of 30 days from invoice date.	Defect liability period of 12 months to 18 months is given to customer.
I&M of oilfield equipment	Revenue is recognised over the period in which the services are rendered.	Credit period of 30 days from invoice date.	Defect liability period of 18 months to 36 months is given to customer.
Supply of oilfield equipment	Revenue is recognised at a point in time when or as the control of goods is transferred to the customer.	Credit period of 30 days from invoice date.	Defect liability period of 18 months is given to customer.

There were no variable elements in considerations, obligation for return or refunds in the provision of services by the Group.

Revenue of the Group is predominantly from operations in Malaysia.

14.3 Transaction price allocated to the remaining performance obligations

As at the reporting date, the Group applies practical expedient that exempts the disclosure of information on remaining performance obligation that have original expected durations of one year or less. Thus, no disclosure is made on allocation of transaction price to the remaining performance obligations.

15. Finance cost

	Note	Group 2021 RM'000	Group 2020 RM'000
Interest expenses arising from:			
- Term loans		142	93
- Trade financing		10	55
- Hire purchase liabilities		26	54
- Bank overdraft		10	38
- Lease liabilities		20	24
- Bank guarantee	15.1	62	90
		270	354

15.1Bank guarantee

Included within bank guarantee are fees paid to Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) amounting to RM42,000 (2020: RM28,000) as disclosed in Note 11.

16. Profit/(Loss) before tax

		Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit/(loss) before tax is arrived after charging/(crediting):					
Auditors' remuneration		75	52	15	2
Material expenses/(income)					
Finance income		(12)	(93)	(1)	-
Gain on disposal of plant and equipment		(9)	(4)	-	-
Gain on derecognition of right-of-us assets		(3)	(1)	-	-
Depreciation of property, plant and equipment		541	518	-	-
Depreciation of right-of-use assets		187	201	-	-
Personnel expenses (including key management personnel)					
- Contributions to state plans		363	540	-	-
- Wages, salaries and others		7,518	6,938	-	-
Wages subsidy		(109)	(275)	-	-
Net foreign exchange loss		17	18	-	-
Expenses arising from leases					
Expenses relating to short-term leases	a	2,107	400	-	-

16. Profit/(Loss) before tax (continued)

Note a

The Group leases equipment with contract terms of less than one year. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

17. Tax expense

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Current tax expense				
Current year	1,101	1,027	-	-
Under provision in prior year	36	-	-	-
	1,137	1,027	-	-
Deferred tax expense				
Origination of temporary differences	51	3	-	-
(Over)/Under provision in prior year	(124)	37	-	-
	(73)	40	-	-
	1,064	1,067	-	-

Reconciliation of tax expense

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Profit/(Loss) before tax	3,144	4,018	745	(2)
Income tax calculated using Malaysian statutory tax rate of 24% (2020: 24%)	755	964	179	(1)
Effect of preferential tax rate of 17%	(42)	(42)	-	-
Non-deductible expenses	439	108	307	1
Non-taxable income (Note 17.1)	-	-	(486)	-
Under/(Over) provision in prior year				
- current tax	36	-	-	-
- deferred tax	(124)	37	-	-
	1,064	1,067	-	-

17.1 Non-taxable income

The non-taxable income is derived from dividend income received from a subsidiary.

18. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Profit for the year attributable to owners of the Group	2,080	2,949
	2021 000	**2020 000**
Based on enlarged ordinary shares in issue after the restructuring and IPO	160,000	160,000
	2021 RM	**2020 RM**
Basic earnings per ordinary share	1.30	1.84

There is no dilution in earnings per share as there is no potential diluted ordinary share.

19. Dividends

Dividends recognised by the Group:

	Sen per share RM	Total amount RM'000	Date of payment
2020			
Interim 2020 ordinary	0.80	1,200	15 June 2020
Interim 2020 ordinary	0.15	225	12 November 2020
Interim 2020 ordinary	0.29	433	31 December 2020
		1,858	

The Directors proposed a first and final single tier dividend of 0.39 sen per ordinary share amounting to approximately RM0.624 million in respect of the financial year ended 31 December 2021 subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

20. Operating segments

Segment information

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Executive Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

● EPCC services and and facilities improvement/ maintenance	Includes the provision of EPCC services for chemical injection skids and improvement/ maintenance in topside oil and gas ("O&G") facilities (i.e. onshore O&G terminal and/or offshore production platform).
● I&M of oilfield equipment	Includes the installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/or offshore production platform).
● Supply of oilfield equipment	Includes the supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad-hoc basis.

Due to the high integration within all these three segments, performance of individual segment is measured based on revenue and gross profit, as included in the internal management reports that are reviewed by the Group's Executive Director. Hence, no other disclosure for segment assets, segment liabilities and segment capital expenditures.

Group	**EPCC services and facilities improvement/ maintenance RM'000**	**I&M of oilfield equipment RM'000**	**Supply of oilfield equipment RM'000**	**Total RM'000**
2021				
Included in the measure of segment profit are:				
Revenue from external customers	18,240	5,235	1,370	24,845
Cost of sales	(11,580)	(1,856)	(593)	(14,029)
Gross profit	6,660	3,379	777	10,816
2020				
Included in the measure of segment profit are:				
Revenue from external customers	11,947	5,638	2,280	19,865
Cost of sales	(4,267)	(3,506)	(2,020)	(9,793)
Gross profit	7,680	2,132	260	10,072

20. Operating segments (continued)

Geographical segments

The geographical location of customers predominantly operates within Malaysia.

Major customers

A single customer has contributed 86% (2019: 94%) of the Group's total revenue.

21. Financial instruments

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"):

	Carrying amount RM'000	AC RM'000
2021		
Financial assets		
Group		
Trade and other receivables	474	474
Cash and cash equivalents	6,039	6,039
	6,513	6,513
Company		
Trade and other receivables	1,935	1,935
Cash and cash equivalents	2,039	2,039
	3,974	3,974
Financial liabilities		
Group		
Trade and other payables	3,248	3,248
Loans and borrowings	1,883	1,883
	5,131	5,131
Company		
Accruals	38	38

21. Financial instruments (continued)

21.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000
2020		
Financial assets		
Group		
Trade and other receivables	979	979
Cash and cash equivalents	5,013	5,013
	5,992	5,992
Financial liabilities		
Group		
Trade and other payables	1,325	1,325
Loans and borrowings	3,089	3,089
	4,414	4,414
Company		
Accruals	2	2

21.2 Net gains/(losses) arising from financial instruments

	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at amortised cost	12	93	1	-
Financial liabilities at amortised cost	(267)	(348)	-	-
Net losses	(255)	(255)	1	-

21.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21. Financial instruments (continued)

21.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables and cash and cash equivalents.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statements of financial position.

21. Financial instruments (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Concentration of credit risk

At the end of the reporting period, the Group has a concentration of credit risk from a single customer, representing approximately 98% (2019: 98%) of the Group's trade receivables. All trade receivables are within Malaysia.

Recognition and measurement of impairment losses

All financial assets measured at amortised cost are first assessed for credit impaired trade receivables.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

As there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information and past trend of payments, where applicable. The trade receivables were deemed to have low risk of default.

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature.

Group	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
2021			
Not past due	5,360	-	5,360
Past due 1 - 90 days	601	-	601
Past due more than 90 days	11	-	11
	5,972	-	5,972
Trade receivables	283	-	283
Contract assets	5,689	-	5,689
	5,972	-	5,972

21. Financial instruments (continued)

21.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Not past due	1,699	-	1,699
Past due 1 - 90 days	-	-	-
Past due more than 90 days	11	-	11
	1,710	-	1,710
Trade receivables	524	-	524
Contract assets	1,186	-	1,186
	1,710	-	1,710

Trade receivables that are past due have not been impaired as these debtors have historically been creditworthy with good payment records with the Group.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

21. Financial instruments (continued)

21.4 Credit risk (continued)

Other receivables and deposits

Credit risks on other receivables and deposits are mainly arising from rental paid to landlord. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These other receivables have low credit risks. Consequently, the Group is of the view that the loss allowance is not material.

Amount due from a subsidiary

Risk management objectives, policies and processes for managing the risk

The outstanding amount relates to the dividend receivables from a subsidiary. The outstanding amount has been netted off with the payment made on behalf by subsidiary for the Company.

Generally, the Company considers these outstanding balances have low credit risk. The Company assumes that there is a significant increase in credit risk when:

- The subsidiary is unlikely to repay its outstanding amount to the Company in full;
- The outstanding balance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

As at the end of the financial year ended 31 December 2021, the Company is of the view that the loss allowance is not material.

21.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings and lease liabilities.

The Group monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

21. Financial instruments (continued)

21.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000
Group					
2021					
Financial liabilities					
Trade and other payables	3,248	-	3,248	3,248	-
Term loans	1,298	3.50 - 10.45	1,439	431	1,008
Hire purchase liabilities	585	2.57 - 5.70	629	377	252
Lease liabilities	229	6.72 - 6.84	243	196	47
	5,360		5,559	4,252	1,307
2020					
Financial liabilities					
Trade and other payables	1,325	-	1,325	1,325	-
Term loans	1,628	3.50 - 10.95	1,843	481	1,362
Trade financing	479	7.10 - 7.70	479	479	-
Hire purchase liabilities	527	2.70 - 5.70	556	208	348
Lease liabilities	208	6.84	222	159	63
Bank overdraft	455	8.83	455	455	-
	4,622		4,880	3,107	1,773
Company					
2021					
Financial liabilities					
Accruals	38	-	38	38	-
2020					
Financial liabilities					
Accruals	2	-	2	2	-

21. Financial instruments (continued)

21.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

21.6.1 Currency risk

Management has assessed that the Group and the Company are not significantly exposed to any foreign currency risks.

21.6.2 Interest rate risk

The Group's primary interest rate risks relate to deposit placed with licensed banks, term loans, bank overdraft, hire purchase liabilities and lease liabilities. Management has assessed that Company is not significantly exposed to any interest rate risks.

The Group's deposits placed with licensed banks, fixed rate term loans, hire purchase liabilities and lease liabilities are exposed to a risk of change in their fair value due to changes in interest rates, The Group's variable rate term loans and bank overdraft are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate of borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2021 **RM'000**	**2020** **RM'000**
Fixed rate instruments		
Financial asset		
Deposits with licensed banks	129	1,293
Financial liabilities		
Term loans	(845)	(1,052)
Hire purchase liabilities	(585)	(527)
Lease liabilities	(229)	(208)
	(1,530)	(494)

21. Financial instruments (continued)

21.6.2 Interest rate risk (continued)

Exposure to interest rate risk (continued)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Floating rate instruments		
Financial liabilities		
Term loans	(453)	(576)
Trade financings	-	(479)
Bank overdraft	-	(455)
	(453)	(1,510)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	100 bp increase RM'000	**100 bp decrease RM'000**
Group		
2021		
Floating rate instruments	(3)	3
2020		
Floating rate instruments	(11)	11

21. Financial instruments (continued)

21.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2021										
Financial liabilities										
Term loans	-	-	-	-	-	-	(1,361)	(1,361)	(1,361)	(1,298)
Lease liabilities	-	-	-	-	-	-	(225)	(225)	(225)	(229)
Hire purchase liabilities	-	-	-	-	-	-	(596)	(596)	(596)	(585)
	-	-	-	-	-	-	(2,182)	(2,182)	(2,182)	(2,112)
2020										
Financial liabilities										
Term loans	-	-	-	-	-	-	(1,594)	(1,594)	(1,594)	(1,628)
Lease liabilities	-	-	-	-	-	-	(212)	(212)	(212)	(208)
Hire purchase liabilities	-	-	-	-	-	-	(531)	(531)	(531)	(527)
	-	-	-	-	-	-	(2,337)	(2,337)	(2,337)	(2,363)

21. Financial instruments (continued)

21.7 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2020: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	**Description of valuation technique and inputs used**
Term loans and hire purchase liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.

22. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

23. Capital and other commitments

		Group	
	Note	2021 RM'000	2020 RM'000
Capital expenditure commitments			
Property, plant and equipment			
Authorised and contracted for	23.1	-	1,300

23.1 Included within the capital expenditure commitments authorised and contracted for are deposits paid amounting to RM Nil (2020: RM600,000) as disclosed in Note 8.2.

24. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors and certain members of senior management of the Group.

The Group has related party relationship with a company in which a Director has financial interest, subsidiary and key management personnel.

Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Transactions				
A. Subsidiary				
Dividend receivable	-	-	2,025	-
B. Companies in which a Director has financial interest				
Consultancy fees paid	-	175	-	-
Deposits paid in relation to acquisition of a building	-	600	-	-
Payment in relation to acquisition of a building	700	-	-	-
Lease payments	-	60	-	-
C. Key management personnel Directors				
Dividend payment	-	1,858	-	-
Remuneration	348	377	-	-
Directors' fee	172	84	144	-
Other employee benefits	49	36	4	-

Related party transactions have been entered into in the normal course of business and have been established under negotiated terms. The gross balances outstanding for related parties are disclosed in Note 8 and Note 13 to the financial statements.

25. Restructuring exercise

In conjunction with the listing of the Company’s shares on the LEAP Market of Bursa Malaysia Securities Berhad, the Company has undertaken the following restructuring exercise:

Acquisition of shares in respect of Steel Hawk Engineering Sdn. Bhd. (“SHESB”)

On 12 April 2021, the Company entered into a conditional share sale agreement (“SSA”) to acquire issued share capital of SHESB of RM1,500,000 comprising 1,500,000 ordinary shares from the shareholders of SHESB for the purchase consideration of RM4,607,999. The said purchase consideration was fully satisfied by the issuance of 143,999,960 new ordinary shares at an issue price of RM0.032 per share to the shareholders of SHESB, namely Dato' Sharman Kristy A/L Michael, Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin.

The SSA was completed on 9 June 2021.

For the purpose of accounting for the restructuring exercise, the Group has applied book value accounting on the basis that the restructuring exercise does not constitute a business combination to which acquisition accounting can be applied. Under book value accounting, the difference between cost of investment recorded by the Company and the share capital of SHESB is accounted for as restructuring reserve as follows:

New shares issued by the Company as consideration for the acquisition of SHESB	4,608
Issued and paid-up capital of SHESB	(1,500)
Restructuring reserve	3,108

26. Significant events

In conjunction with the listing of the Company's shares on LEAP Market of Bursa Malaysia Securities Berhad, the following listing scheme was undertaken by the Company:

26.1 Acquisition of a subsidiary

The Company on 12 April 2021 entered into a conditional share sale agreement ("SSA") to acquire issued share capital of SHESB of RM1,500,000 comprising 1,500,000 ordinary shares from the shareholders of SHESB for a purchase consideration of RM4,607,999.

Details of the restructuring exercise is disclosed in Note 25.

26.2 Private placement

On 25 October 2021, the Company issued 16,000,000 new shares at the issue price of RM0.20 per share, amounting to RM3,200,000 by way of private placement to selected Sophisticated Investors.

27. Subsequent event

On 18 April 2022, the Company incorporated a wholly-owned subsidiary, known as Steel Hawk Defence Sdn. Bhd. with an issued share capital of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each. The intended principal activity of the subsidiary is to supply, maintain and provide service for defence and security related equipment.

Steel Hawk Berhad
(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)
and its subsidiary

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 6 to 63 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the year ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Dato' Sharman Kristy A/L Michael
Director

....

Salimi Bin Khairuddin
Director

Kuala Lumpur

Date: 26 APR 2022

Steel Hawk Berhad
(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)
and its subsidiary

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Dato' Sharman Kristy A/L Michael**, the director primarily responsible for the financial management of Steel Hawk Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 63 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Dato' Sharman Kristy A/L Michael, NRIC: 790412-08-6015, at Petaling Jaya in Selangor on 26 APR 2022.

....
Dato' Sharman Kristy A/L Michael

Before me:

PESURUHJAYA SUMPAH
No. B 726
WONG KOK KEN
01/02/2022 - 31/12/2024
MALAYSIA

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STEEL HAWK BERHAD

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Steel Hawk Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 63.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Refer to Note 2(m)(i) – Significant accounting policy: Revenue and Note 14 - Revenue	
The key audit matter	**How the matter was addressed in our report**
Revenue recognition is the presumed fraud risk for the audit. The main revenue streams of the Group are Engineering, procurement, construction and commissioning ("EPCC") services and facilities improvement/maintenance, Installation and maintenance ("I&M") of oilfield equipment and supply of oilfield equipment. Revenue recognition is a key audit matter due to risk that revenue may be overstated arising from pressure faced by management in achieving performance targets.	The following are the audit procedures, among others, around revenue recognition • Evaluated and tested the design, implementation and operating effectiveness over the internal controls including anti fraud controls over revenue recognition; • Tested sales transactions recorded to the acknowledged job completion ticket , summary report of service completion or acknowledged delivery order to ascertain validity of sales; • Evaluated whether sales transactions either side of the statement of financial position date as well as credit notes issued after year end are recognised in the correct period and • Reviewed the manual journal entries or any unusual journal entries posted relating to revenue

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditor's report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Director's Report, but does not include the financial statements of the Group and the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Director's Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Director's Report and, in doing so, consider whether the Director's Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Director's Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation , structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2023 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 26 April 2022